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McFarlane Note Told of Saudi Cash

Iran-Contra Probers Look for Covert Action 'Slush Fund'

By Bob Woodward
and Lou Cannon
Washington Post Staff Writers

Before his unsuccessful suicide attempt last month, former national security adviser Robert C. McFarlane left previously undisclosed letters to his lawyer and three members of Congress describing his failure to disclose that the Saudi Arabian ambassador in Washington had volunteered secret contributions of millions of dollars to the Nicaraguan contras, according to informed sources.

McFarlane has since told investigators that Saudi Ambassador Bandar bin Sultan approached him in May or June of 1984 and volunteered contributions at the rate of \$1 million a month.

Investigators have found independently that eight million-dollar deposits were made from July 1984 to February 1985 to a Cayman Islands bank account belonging to the contras. Four large deposits made during a 27-day period in February and March 1985 brought the total to \$32 million, contra bank records show.

Investigators pursuing the Iran-contra affair are now trying to determine whether some of this money and other funds may have ended up in a secret "slush fund" for covert operations by the Central Intelligence Agency and friendly intelligence services such as Saudi Arabia's and Israel's, according to an informed source.

The pattern of contributions to the contras' Cayman Islands bank account changed after Saudi King Fahd paid a state visit to the White House on Feb. 11 and Feb. 12, 1985, where he had a meeting with several officials including Bandar and McFarlane and a brief, private conversation with President Reagan after breakfast on Feb. 12. Fifteen days later, on Feb. 27, 1985, a \$5 million deposit was made to the contras' Cayman Islands bank account.

Bandar and McFarlane have said that aid to the contras was not discussed in the White House meeting with several officials and said they do not believe the issue came up in the private meeting between the president and the king. But investigators are looking at the possibility that Reagan solicited the contribution or that Fahd volunteered it either in the private meeting or at some other time, perhaps in 1984.

Reagan's national security adviser, Frank C. Carlucci, said last night that there had been "no solicitation of Fahd for the contras by the president." Carlucci said that he had talked to most of the participants in the Feb. 11-12 meetings with the president and Fahd and that, in addition, he and White House chief of staff Howard H. Baker Jr. had asked the president about the matter.

McFarlane's disclosure of the Saudi contributions was made in a two-page letter to his attorney, Leonard Garment, written just before he took an overdose of Valium that he has since said was a suicide attempt.

Included with the letter were separate one-page "confidential" letters to Senate Select Intelligence Committee Chairman David L. Boren (D-Okla.), committee vice chairman Sen. William S. Cohen (R-Maine) and Rep. Lee H. Hamilton (D-Ind.), chairman of the House select committee investigating the Iran-contra affair.

In the letters to the members of Congress, McFarlane said he had not made a total disclosure of his knowledge about foreign contributions to the contras. He said "a foreign national" since identified by Garment and McFarlane as Bandar had volunteered the contributions, and that McFarlane believed they had been made. One of the congressional recipients of the letter said yesterday that he found McFarlane's statements "totally credible."

Bandar, who for several years has been close to McFarlane personally and professionally, has repeatedly denied that contributions were made for the contras by himself or other Saudis.

Instead, a source close to the Saudis has asserted that Saudi Arabia contributed \$13 million for three U.S.-Saudi covert operations described as so sensitive that neither the United States nor Saudi Arabia will ever permit them to become public.

These operations—funded, according to these sources, with Saudi contributions totaling \$13 million—are in addition to well-publicized Saudi contributions to the Afghanistan and other anticommunist resistance movements, the sources said. One source quoted Bandar as saying, "Bud [McFarlane] did give me bank accounts . . . He knows I can't contradict him, because to be credible I would have to disclose what happened."

Last night Bandar said: "We have made our position clear on this matter before, and I have nothing more to say."

Garment denied categorically yesterday that McFarlane knew anything about other U.S.-Saudi covert operations. McFarlane also has denied knowing anything about such operations.

McFarlane has also pointed out that he has given sworn testimony under penalty of perjury that Bandar initiated the contributions to the contras and that Bandar, who has diplomatic immunity, cannot be compelled to testify, sources said.

"I have been through this matter backwards and forwards with Mr. McFarlane," Garment said. "He has no knowledge of any, let alone three other operations. The relevant conversations with Ambassador Bandar were about proffered assistance in Central America. If Prince Bandar wants to put this to the test, he should come forward, waive diplomatic immunity and testify under oath."

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The account McFarlane gave after his attempted suicide to independent counsel Lawrence E. Walsh, congressional committees and the Tower board that investigated the National Security Council was that Bandar met with him in May or June 1984 for a wide-ranging discussion of foreign policy. During this meeting, according to McFarlane's account, Bandar predicted that Congress would withdraw funding for the contras, which he recognized was a program important to Reagan. Bandar then offered to make a "personal" contribution totaling \$5 million to be paid at the rate of \$1 million a month, according to McFarlane's account.

Contra bank records show deposits of \$1 million a month, beginning July 6, 1984, and continuing to Feb. 7, 1985, for a total of \$8 million.

McFarlane has said that after his initial discussion with Bandar he had little knowledge of continuing Saudi contributions except that Bandar informed him in 1985 that Saudi contributions to the contra fund were increasing to \$2 million a month. The Tower board report quotes McFarlane as saying in a letter that he was "separately informed" by Defense Secretary Caspar W. Weinberger and Gen. John W. Vessey Jr., then chairman of the Joint Chiefs of Staff, that "the total amount of the contribution in 1985 was \$25 million."

Through spokesmen, Weinberger and Vessey have denied having had such conversations with McFarlane.

Contra bank records show separate deposits of \$5 million on Feb. 27, 1985, \$4 million on March 7, \$7.5 million on March 15, and \$7.5 million on March 25.

Several documents printed in the Tower commission report raised the question of Reagan's role in soliciting aid for the contras during a time that Congress has prohibited U.S. military assistance. In a March 16 memo to McFarlane, National Security Council staff aide Lt. Col. Oliver L. North recommended that White House counsel Fred F. Fielding "be asked to conduct a very private evaluation of the president's role."

McFarlane then wrote "not yet" in the margin of the memo, accord-

ing to the Tower report. Fielding said recently that neither he nor any of his assistants ever did such an evaluation.

A year later, in a May 16, 1986, computer message to then-national security adviser Vice Adm. John M. Poindexter, North said, "the president obviously knows why he has been meeting with several select people to thank them for their 'support for Democracy' in CentAm."

Poindexter's response, as printed in the Tower report, neither confirmed nor disputed North's assertion.

A memo to McFarlane from North on April 11, 1985, that was printed in the Tower commission report shows deposits that correspond with the contra bank records, but North said the total contributions, apparently from a single source, were \$24.5 million.

Investigators said it is possible that North did not include the last \$7.5 million desposit of March 25, accounting for the discrepancy between North's total of \$24.5 million and the contras' records of \$32 million.

One congressional investigator said this week that in the efforts to



BANDAR BIN SULTAN
... denies aiding the contras

trace the Iran arms sales and contra money, the select committees are looking at the possibility that the administration or some members of the administration maintained a secret "slush fund" for covert or intelligence operations in conjunction with friendly intelligence services.

One of the first internal CIA memos that disclosed the possibility that money from the Iranian arms sales had been diverted to the contras raised this issue. The memo written by Charles Allen, the CIA national intelligence officer for counterterrorism on Oct. 14, 1986, said:

"The government of the United States along with the government of Israel acquired substantial profit from these transactions, some of which profit was redistributed to other projects of the U.S. and of Israel."

Other sources said that the CIA has in the past farmed out sensitive or controversial intelligence operations to friendly services, placing them outside the scrutiny of the congressional oversight committees.

McFarlane and Bandar were once very close, traveling together to the Middle East at least three times together on secret missions. Soon after McFarlane resigned as national security adviser in December 1985, Bandar gave an elaborate dinner in McFarlane's honor that was attended by former secretary of state Henry A. Kissinger, among others.

In his initial testimony to the Senate intelligence committee before his suicide attempt, McFarlane said only that he had heard about the Saudi contribution from Weinberger and Vessey.

The letter to Garment that McFarlane wrote at the same time he wrote a note to his wife Jonda contained only one substantive paragraph relating to the Iran-contra affair. In that paragraph, McFarlane indicated that he wanted to leave a full and truthful record of his knowledge.

Police said that McFarlane took 25 to 30 tablets of the tranquilizer Valium the morning of Feb. 9. He was released from a Washington hospital on Feb. 23.

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The Tower commission report that was released on Feb. 26 contained an excerpt from McFarlane's letter that said "a foreign official offered to make a contribution" from personal funds of \$1 million per month. The official was not named in the Tower report, though news accounts quoted sources as saying the official was a Saudi.

On Feb. 28, The Post reported that Saudi credibility was on the line because the Saudi Embassy in Washington and Bandar personally continued to deny that they had "directly or indirectly" assisted the contras.

Sources said that Bandar sent a copy of the article to McFarlane via an intermediary. On March 10, McFarlane sent Bandar a note thanking him for flowers that had been sent while McFarlane was in the hospital. In the note, McFarlane said that he knew how "painful" the recent "turmoil" must be for Bandar and said he appreciated "your forbearance and restraint."

A source said that Bandar interpreted this message to mean that McFarlane is counting on the ambassador not to dispute his account in public or reveal the other covert operations. But a source close to McFarlane said that the note was a routine thank-you message expressing a concern for the problems caused the Saudis by the Iran-contra affair and was similar to other notes McFarlane had sent to persons who had written him.

Staff writers David Hoffman and Joe Pichirallo and researcher Barbara Feinman contributed to this report.